



Republican Policy Committee

May 25, 2005

Pension Benefit Guaranty Corporation

- Created by Employee Retirement Income Security Act (ERISA) – September 1974
- Wholly-owned government corporation (DC Non-profit Corporation Act)
- Established “within the Department of Labor”
- 3-member board
 - Secretary of Labor (Chair)
 - Secretary of Treasury
 - Secretary of Commerce

PBGC's Statutory Responsibilities

- 1) Encourage the continuation and maintenance of voluntary private pension plans for the benefit of their participants;
 - 2) Provide for the timely and uninterrupted payment of pension benefits to participants and beneficiaries;
 - 3) Maintain premiums at the lowest level consistent with carrying out its obligations; and
- + Be self-financing; no general revenues or full faith and credit

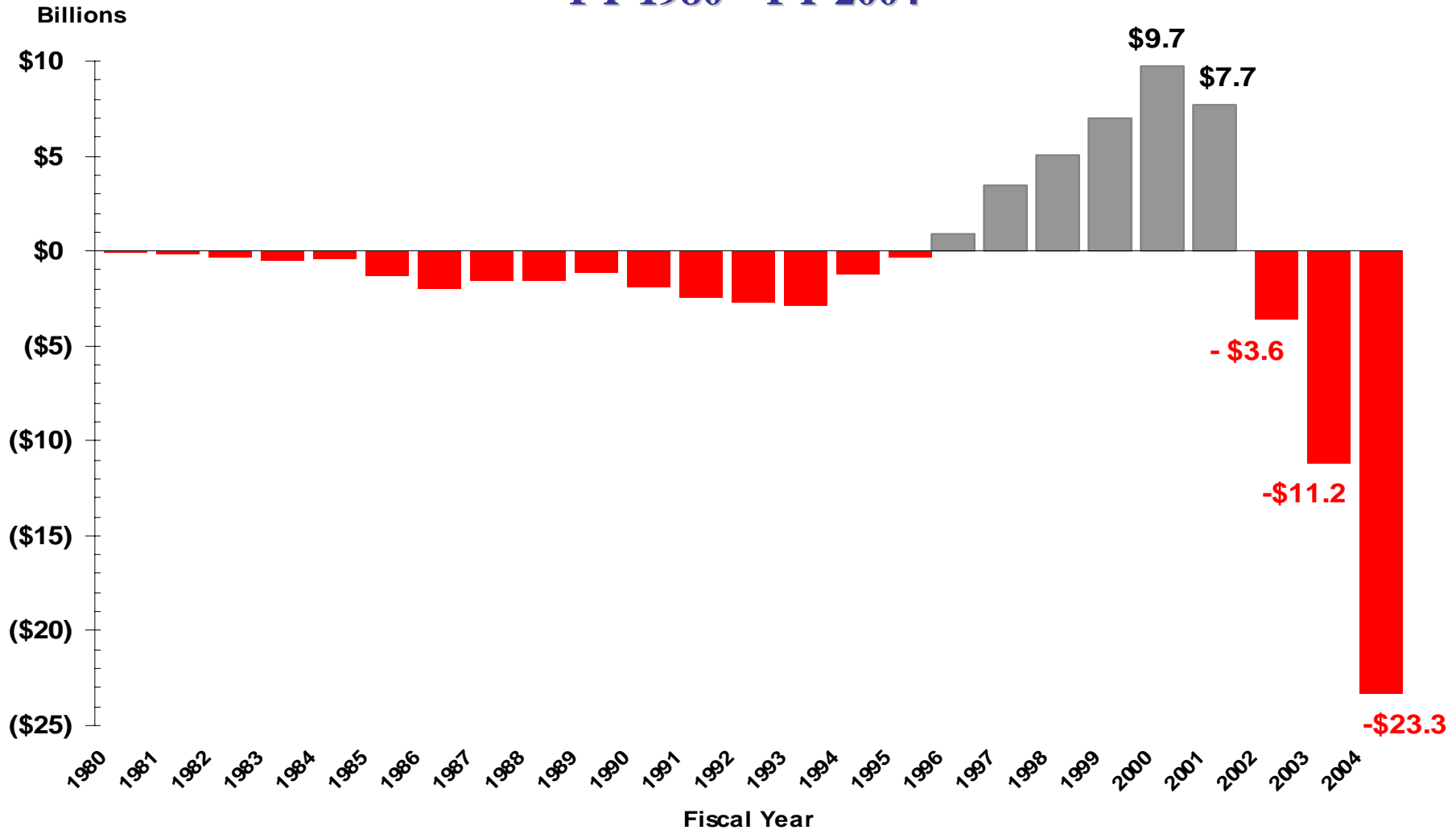
PBGC's Three Principal Lines of Business

- Insurance
 - 44.7 million covered participants
 - 31,200 plans
 - \$1.5 billion in premium income
- Benefit Administration
 - 1.1 million current and future retirees in 3,100 plans
 - \$3 billion in benefit payments to 518,000 participants
- Asset Management
 - \$40 billion in assets
 - Premium income required to be invested in US Treasuries
 - Trust funds invested consistent with investment policy statement adopted by Board of Directors

PBGC Net Position

Single-Employer Program

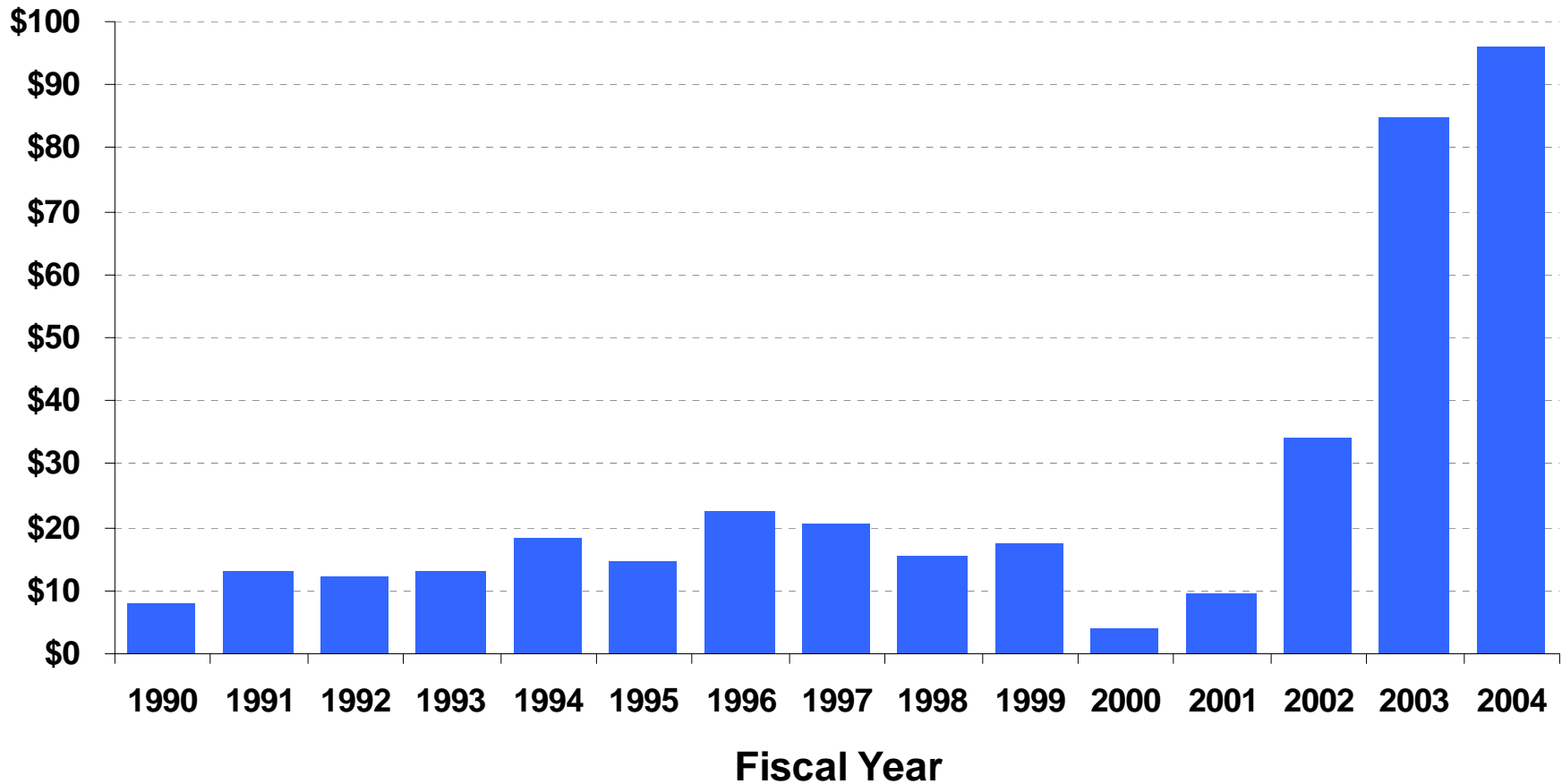
FY 1980 – FY 2004



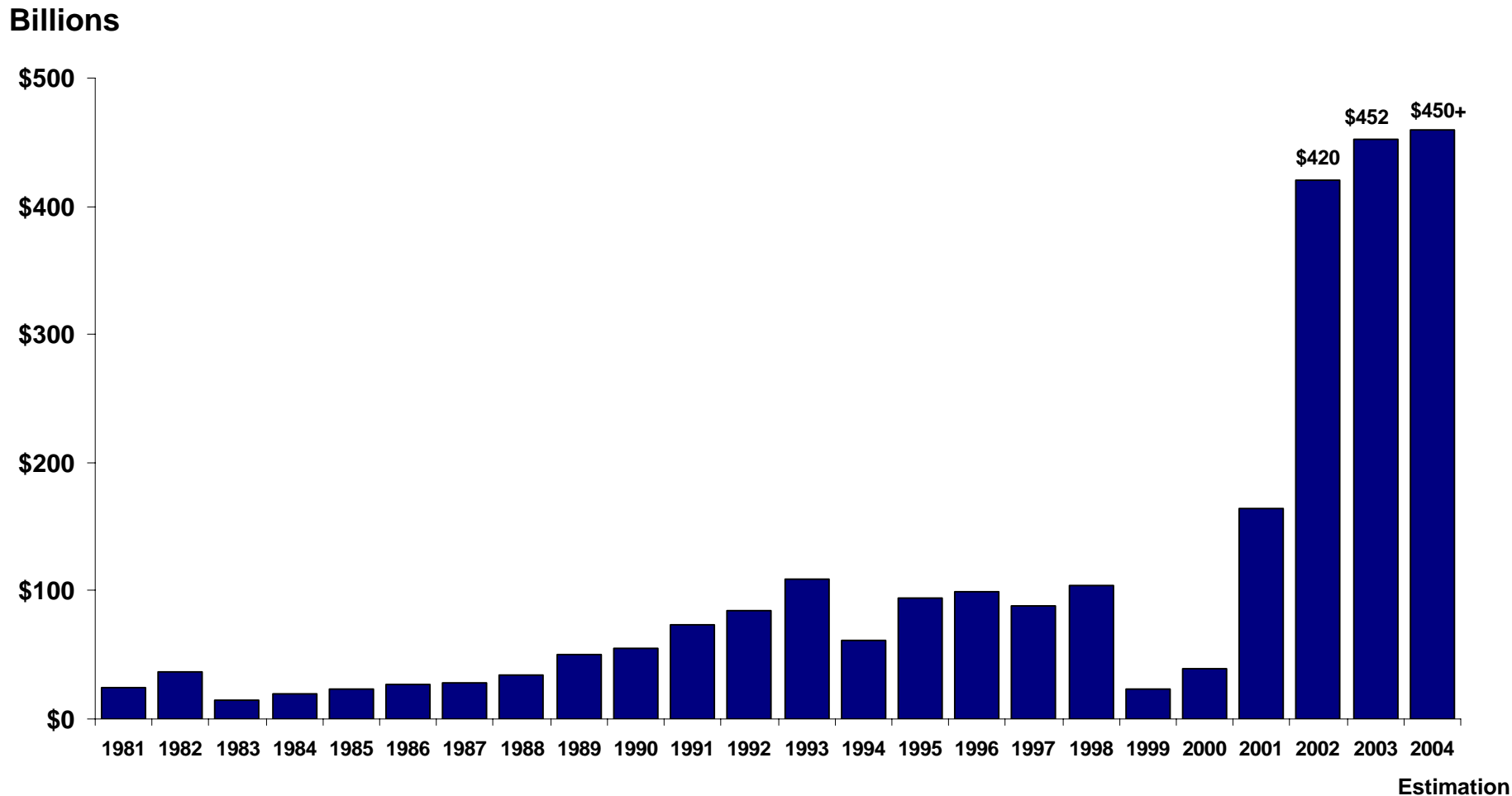
Data does not include restored LTV plans in 1986

Exposure from Plans Representing “Reasonably Possible” Claims

Billions



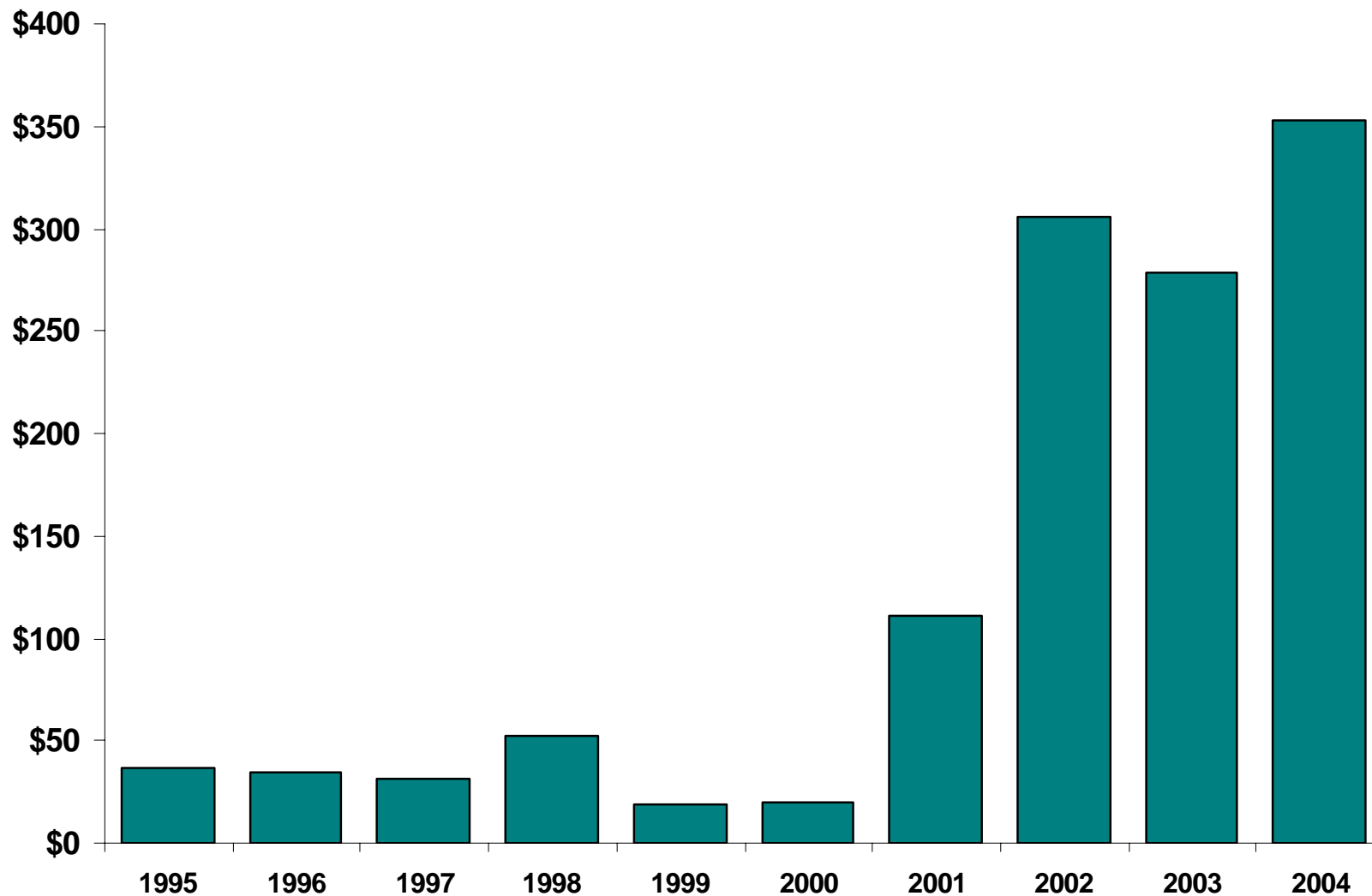
Total Underfunding Insured Single-Employer Plans



PBGC estimates from Form 5500 and Section 4010 Filings

Underfunding Reported by 4010 Filers

Billions \$



Reasonably Possible Exposure by Industry

PBGC Annual Report FY 2004

(Dollars in Billions)

Manufacturing	\$48.4
Transportation, Communication & Utilities	30.5
Service & Other	7.9
Wholesale & Retail Trade	5.8
Agriculture, Mining & Construction	1.9
Finance, Insurance & Real Estate	<u>1.2</u>
TOTAL	\$95.7

Bethlehem Steel

Termination Benefit Liability Funded Ratio 45%

Unfunded Benefit Liabilities \$4.3 billion

	1996	1997	1998	1999	2000	2001	2002
Current Liability Ratio	78%	91%	99%	96%	86%	84%	NR
Was the company required to make a deficit reduction contribution?	Y	N	N	N	N	NR	NR
Was the company obligated to send out a participant notice?	Y	Y	N	N	N	N	N
Did the company pay a Variable Rate Premium?	\$15 million	\$17 million	N	N	N	N	N
Actual Contributions	\$354 million	\$32.3 million	\$30.9 million	\$ 8.1 million	\$0	\$0	\$0
Debt Rating	B+	B+	BB-	BB-	B+	D	Withdrawn

US Airways Pilots

Termination Benefit Liability Funded Ratio 33%

Unfunded Benefit Liabilities \$2.5 billion

	1996	1997	1998	1999	2000	2001	2002
Current Liability Ratio	97%	100%	91%	85%	104%	94%	NR
Was the company required to make a deficit reduction contribution?	N	N	N	N	N	N	NR
Was the company obligated to send out a participant notice?	N	N	N	N	N	N	N
Did the company pay a variable rate premium?	\$4 million	N	N	N	\$2 million	N	N
Actual Contributions	\$112.3 million	\$0	\$45 million	\$0	\$0	\$0	\$0



Pension Benefit Guaranty Corporation
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Recent Editorial Comment on the Administration's Pension Reform Proposal

"The Bush administration has a better proposal."

—Washington Post, May 13

"[The Bush Administration] has proposed sensible reforms to America's private-pension insurance system."

—Economist, May 14

"The PBGC, backed by the White House, is asking for long-overdue reforms."

—USA Today, May 20, 2005

"This legislation offers real hope of preserving the [retirement security] dream ... The pension-support legislation now on Capitol Hill must be passed without dilution to ensure that the burden on taxpayers doesn't grow and to guarantee that at least a semblance of equity is retained in pension distribution."

—Mortimer Zuckerman, Editor-in-chief, U.S. News & World Report, May 30 edition

"Bush is clearly on the right track."

—New York Daily News, May 15

"The White House has proposed increasing the ... premium. That's the least Congress can do."

—Newsday, May 15

"... the Bush proposals would make the best of a bad situation, and at least safeguard pensioners' government safety net."

—Philadelphia Inquirer, May 22

"... President Bush has proposed some reforms that take the right approach by requiring companies to fund pension plans 100 percent within seven years."

—Miami Herald, May 22

"The president has offered a reasonable road map to pension reform."

—Atlanta Journal and Constitution, May 15

"President Bush has proposed doing what must be done when an insurance plan's liabilities exceed its assets."

—Register-Guard (Eugene, Ore.), May 18

"The Bush Administration in January submitted a reform proposal that squarely addresses the problem."

—Spokesman-Review (Spokane, Wash.), May 19